

## Message Text

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PAGE 01    WARSAW 06927 111239Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
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R 110803Z AUG 78  
FM AMEMBASSY WARSAW  
TO SECSTATE WASHDC 6717  
INFO AMEMBASSY BELGRADE  
AMEMBASSY BONN  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMCONSUL KRAKOW POUCH  
AMCONSUL LENINGRAD  
AMEMBASSY LONDON  
AMEMBASSY MOSCOW  
AMEMBASSY PARIS  
AMCONSUL POZNAN POUCH  
AMEMBASSY PARGUE  
AMEMBASSY SOFIA  
AMCONSUL MUNICH  
USMISSION USNATO

C O N F I D E N T I A L WARSAW 6927

EO 11652: GDS  
TAGS: ETRD EIND EEWT PL UR US  
SUBJ: MOSCOW'S THINKING ON US TRADE WITH EASTERN EUROPE: A GLIMPSE  
FROM WARSAW

REF: WARSAW 6719 (NOTAL)

1. BEGIN SUMMARY. A SOVIET VIEW OF US TRADE WITH POLAND  
WAS RECENTLY EXPRESSED DURING THE CONVERSATION OF A PRAVDA  
CORRESPONDENT WITH THE DIRECTOR OF THE EMBASSY'S TRADE  
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DEVELOPMENT CENTER. GATHERING MATERIAL FOR A STORY, THE PRAVDA  
CORRESPONDENT INSISTED THAT THE UNITED STATES EXPLOITS  
CHEAP POLISH LABOR THEREBY MAKING HUGE PROFITS, GAINS  
MUCH MORE FROM BILATERAL TRADE THAN DOES POLAND AND TREATS  
POLAND AND OTHER EE COUNTRIES AS DEVELOPING COUNTRIES, UNLOAD-  
ING US GOODS BUT RESTRICTING US PURCHASES OF POLISH AND  
OTHER EE MANUFACTURED PRODCUTS. WE ENVISION THE SOVIETS

MAKING EFFECTIVE USE OF THESE ARGUEMENTS IN THEIR DISCUSSION WITH THE POLESS AND THEIR EE ALLIES. WE ALSO PERCEIVE, BEHIND THE SCENES, THE PROBABILITY OF GROWING SOVIET IRRITATION OVER THE FACT THE SOME EE COUNTRIES (E.G., POLAND, ROMANIA, HUNGARY) ENJOY MFN, EXIM BANK CREDITS AND OTHER ADVANTAGES IN THEIR TRADE WITH THE UNITED STATES WHILE THE USSR IS NOT ONLY DENIED THESE BENEFITS BUT FACES ADDITIONAL US RESTRICTIONS BECAUSE OF ITS REPRESSIVE INTERNAL POLICIES ON HUMAN RIGHTS. END SUMMARY.

2. WITHIN THE PAST WEEK WE HAVE NOTED AN INTERESTING INDICATION OF WHAT APPEARS TO BE THE SOVIET UNION'S TRUE FEELING ON UNITED STATES TRADE WITH POLAND, AND WITH EASTERN EUROPE IN GENERAL, SOMETHING WHICH IS NOT, AS FAR AS WE ARE AWARE, MENTIONED VERY OFTEN IN SOVIET MEDIA.

3. LOCAL PRAVDA CORRESPONDENT, YURI V. BELKIN, TALKED AT LENGTH RECENTLY WITH THE EMBASSY'S TRADE CENTER DIRECTOR, WILLIAM SCHARGE, ON AMERICAN TRADE WITH POLAND. OBVIOUSLY GATHERING MATERIAL FOR AN ARTICLE, BELKIN'S CONVERSATION BEGAN AMIABLY ENOUGH WITH SOME SIMPLE QUESTIONS ABOUT THE VOLUME AND TYPE OF US TRADE WITH POLAND. BUT AS THE INTERVIEW PROCEEDED IT BECAME APPARENT THAT BELKIN HAD THREE FIRM CONCLUSIONS IN MIND, AND THAT HE WAS DETERMINED TO MANEUVER THE CONVERSATION TO PROVE HIS POINTS, TAKING A "PLEASE-DON'T-BOTHER-ME-WITH-FACTS" APPROACH, CONFIDENTIAL

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4. BELKIN'S THREE PRE-JUDGED CONCLUSIONS WERE:

- (A) THE US USES CHEAP POLISH LABOR TO MANUFACTURE PRODUCTS IN POLAND WHICH ARE THEN SOLD IN WESTERN MARKETS FOR PROFITS WHICH GO DIRECTLY TO US FIRMS;
- (B) THE UNITED STATES GAINS MUCH MORE IN PROFITS FROM US-POTASH TRADE THAN DOES POLAND;
- (C) THE UNITED STATES TREATS POLAND AND EASTERN EUROPE IN GENERAL AS A "DEVELOING COUNTRY" AREA, A PLACE FOR THE SALE OF US MANUFACTURES, WHILE IT LIMITS THE IMPORT OF POLISH MANUFACTURES INTO THE UNITED STATES.

5. IN DISCUSSING POINT (A) BELKIN CLAIMED THAT US FABRICS ARE SHIPPED TO POLAND, MADE INTO CLOTHING BY CHEAP LABOR, AND SHIPPED BACK TO THE UNITED STATES FOR SALE AT A LARGE PROFIT, WHICH GOES TO US BUSINESSMAN. BELKIN ALSO CLAIMED TO FIND IT HARD TO UNDERSTAND WHY THE US ATTEMPTS TO EXPAND ITS TRADE WITH POLAND, OR EVEN BOTHERS WITH POLAND AT ALL SINCE US-POLISH TRADE IS SUCH A SMALL PERCENTAGE OF US GLOBAL TRADE. HE IMPLIED THAT THERE MUST BE POLITICAL MOTIVATIONS. THE CONCEPT OF MULTILATERAL TRADE, WHEN

POINTED OUT TO HIM, SEEMED TO BE HARD FOR HIM TO GRASP.

6. COMMENT: IN THE WAKE OF THIS CONVERSATION, WE SHOULD NOT BE AT ALL SURPRISED IF A FORTHCOMING ISSUE OF PRAVDA PUBLISHES AN ARTICLE BY BELKIN -- WELL-LACED WITH STATISTICS, FACTS, TRUTHS, HALF-TRUTHS, QUARTER-TRUTHS, COMPLETE FABRICATION AND INNUENDO -- ON US COMMERCIAL EXPLOITATION OF POLAND. REGARDLESS OF WHETHER SUCH AN ARTICLE APPEARS, HOWEVER, WE FIND IT INTERESTING THAT THE SOVIETS, WHO MAINTAIN A VERY LIMITED, STANDOFFISH RELATIONSHIP WITH THE US EMBASSY IN WARSAW, SHOULD HAVE MADE AN EFFORT TO TALK WITH OUR TDC DIRECTOR. EVEN MORE INTERESTING IS THE OBVIOUS THRUST OF BELKIN'S ARGUMENTS WHICH, WE BELIEVE, REPRESENT MOSCOW'S ACTUAL VIEW OF US TRADE AND ECONOMIC RELATIONS  
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WITH THIS COUNTRY, AND PROBABLY WITH MOST OF EASTERN EUROPE AS WELL

B WE CAN ENVISION BELKIN'S ARGUMENTS BEING USED EFFECTIVELY BY THE SOVIETS IN BILATERAL MEETINGS WITH THE POLLES AND ALSO IN COMECON. THE CHARGES THAT THE US RESTRICTS THE IMPORT OF POLISH MANUFACTURES MUST HIT A PARTICULARLY SENSITIVE GOP NERVE, GIVEN POLAND'S TROUBLES IN COMPETING IN US MARKETS, NOT TO MENTION THE GOLF CART IN BROGLIO. AND THIS IS ALSO A SENSITIVE ISSUE FOR OTHER EE COUNTRIES, FACED WITH RISING RESISTANCE AGAINST EE EXPORTS IN THE COMMON MARKET AS WELL AS IN THE UNITED STATES.

7. WE BELIEVE THAT MOTIVATION FOR THIS SOVIET ATTITUDE INVOLVES A COMPLEX MIXTURE OF POLITICAL AND ECONOMIC ISSUES WHICH GO WELL BEYOND INTEREST IN LIMITING US PRESENCE IN THE SPECIAL SOVIET PRESERVE OF COMECON EASTERN EUROPE. THERE IS THE IRRITATING, ALMOST HUMILIATING FACT THAT POLAND, ROMANIA, AND MOST RECENTLY HUNGARY, NOW ENJOY MFN TREATMENT FOR THEIR EXPORTS TO THE UNITED STATES WHILE THIS PRIVILEGE HAS NEVER BEEN ACCORD TO THE USSR. POLAND AND ROMANIA ALSO RECEIVE US EXIM BANK CREDITS, SOMETHING DENIED THE SOVIETS SINCE 1975. AND NOW, WITH THE USSR BEING SUBJECTED TO POSSIBLE FURY OVER US TRADE DENIAL IN PROTEST AGAINST ITS REPRESSIVE POLICIES AGAINST HUMAN RIGHTS, THE SOVIETS MUST FIND US-EE TRADE ON A BUSINESS-AS-USUAL BASIS INCREASINGLY INTOLERABLE.

8. IN THE NEAR FUTURE WE SHALL SUGGEST THAT A VISITING US CORRESPONDENT REQUEST AN INTERVIEW WITH THE DIRECTOR OF THE NEW SOVIET "TRADE CENTER" IN WARSAW, A HUGE, FOUR STORY, BLOCK LONG, CONCRETE BUILDING NOW NEARING COMPLETION NEAR THE SOVIET EMBASSY. WE HAVE SOME GOOD QUESTIONS FOR HIM TO ASK ON SOVIET TRADE AND ECONOMIC RELATIONS WITH POLAND.  
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## Message Attributes

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Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014